

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 STR-05 PRS-01 PA-02 AID-05 CEA-01
CIAE-00 COME-00 EB-08 EA-12 FRB-01 INR-07 IO-14
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SUBJECT: EDITORIAL IN IRISH INDEPENDENT JANUARY 5, 1978

FOLLOWING EDITORIAL APPEARED IN IRISH INDEPENDENT, JANUARY 5,
1978 UNDER HEADING WORRIED DOLLAR:

BEGIN TEXT:

THE DOLLAR'S DECLINE MAY BE REACHING AN END, BUT IN THE
MEANTIME THERE WILL BE MANY ANXIOUS ECONOMIC ADVISORS AROUND
EUROPE BITING THEIR NAILS UNTIL THEY SEE PROOF POSITIVE
THAT THIS UNEXPECTED ADDITION TO THE LIST OF CURRENT ECONOMIC
PROBLEMS HAS BEEN REMOVED. TRADING IN NEW YORK, AT ONE TIME
YESTERDAY, SEEMED TO SHOW THAT THE DOLLAR IS STARTING TO MAKE
A COMEBACK, BUT IT WILL TAKE SOME TIME BEFORE THIS TREND IS
OR CAN BE CONFIRMED.

BUT IS IS OBVIOUS NOW THAT THE U.S. HAS HAD ENOUGH OF THE
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DECLINE, AND ITS USE OF A SPECIAL FUND, AS WELL AS THE
STARTING UP OF A SWAP ARRANGEMENT WITH BONN ARE PART OF A
DRIVE TO BRING CONFIDENCE BACK TO THE MONEY MARKETS.
THIS WAS NEEDED BECAUSE THE CONTINUING DECLINE OF THE
DOLLAR WAS BREEDING UNCERTAINTY OF THE WORST KIND.

AT HOME WE HAVE TO MAKE A CHOICE FROM A NUMBER OF POSSIBLE

EFFECTS THE DECLINE OF THE DOLLAR - IF IT CONTINUED -
COULD HAVE ON OUR ECONOMY. THIS CHOICE IS NOT AN EASY
ONE TO MAKE.

A STRONGER POUND ENABLES US TO IMPORT RAW MATERIALS AT
A CHEAPER RATE. BUT IF THIS IS FOLLOWED BY A SITUATION
IN WHICH OUR GOODS ARE TOO EXPENSIVE TO OUR BUYERS THEN
WE HAVE GAINED NOTHING AT ALL FROM THE POUND'S STRENGTH.
IT IS EVEN POSSIBLE THAT IT COULD EFFECT OUR EMPLOYMENT
SITUATION.

AGAIN WHEN WE LOOK AT OUR EXPORTS WE HAVE TO TAKE AWAY
FROM OUR CONSIDERATIONS AGRICULTURAL GOODS AND GOODS SOLD
TO THE BRITISH MARKET. FROM WHAT IS LEFT WE MUST ONLY
TAKE INTO CONSIDERATION MARKETS WHICH WILL BE EFFECTED BY
A DEARER POUND. A BATTERY OF COMPUTERS NEEDS TO BE
DRAFTED IN TO MAKE SENSE, IN TERMS OF POUNDS AND PENCE,
OF THAT LITTLE PROBLEM.

A DOLLAR WHICH IS ALLOWED TO DECLINE COULD ALSO MAKE
HOLIDAYS HERE LESS ATTRACTIVE FOR AMERICAN VISITORS;
AND A STRONGER POUND COULD SEND BRITISH TOURISTS
SCURRYING TO THE MEDITERRANEAN AREAS FOR THEIR TWO OR
THREE WEEKS. BOTH CONSEQUENCES COULD AFFECT OUR
TOURIST INDUSTRY.

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HOWEVER, THE YEAR IS JUST IN, AND WE OUGHT TO WAIT A
LITTLE BEFORE JUMPING TO CONCLUSIONS. THE MONEY MARKETS
OF THE WORLD ARE UNPREDICTABLE PLACES AND THE WORLD'S
GOVERNMENTS TOO AWARE OF THEIR OWN POSITION TO ENABLE ANYONE
AT THIS STAGE TO SAY THAT THE PESSIMISTIC VIEW IS THE
CORRECT ONE. KRENE

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